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CENTRAL INTELLIGENCE AGENCY

1 December 1948

INTELLIGENCE MEMORANDUM NO. 89

SUBJECT: Black market operations in western Germany tending to undermine confidence in Deutsche mark.

1. Large-scale illegal sales of cigarettes, coffee, drugs, jewelry, gold and other luxury goods in western Germany are putting substantial amounts of Deutsche marks into the hands of black marketeers, among whom are displaced persons, and American and Allied personnel. A thriving trade in D-marks and smuggled goods is taking place between the French zone and Switzerland. Deutsche marks thus acquired by blackmarketeers in Germany are sold for dollars and Swiss francs at substantial discounts to dealers (in Germany or elsewhere) who resell them in Switzerland through banks and other legitimate foreign exchange dealers. Such sales, by increasing the supply of D-marks in the foreign markets, have depressed their exchange value and are thereby decreasing the confidence of Germans in the stability of the D-mark.

2. The firm of Buero Meister in Zurich, Switzerland, has agents in many German cities actively buying D-marks from black marketeers with Swiss francs. Purchases amount to over 100,000 D-marks weekly. This firm also makes remittances to Germans in D-marks for foreigners, selling them at a discount.

3. Swiss banks engaging in the purchase and sale of D-marks in Switzerland include Credit Suisse, Schweizerische Volksbank, and Leu. On 16 October 1948 they held about one million D-marks.

4. The rapid economic recovery in western Germany during the last few months has been attributable in a considerable degree to the currency reform instituted there in June 1948. This very encouraging recovery in production and economic activity may, however, experience a serious setback as a consequence of loss of confidence in the Deutsche mark. While black marketing is only one aspect of the renewed inflation problem, action taken (a) to reduce substantially the amount of black marketing and (b) to support the D-mark rate in Switzerland would nevertheless retard the inflationary development and contribute to stability.

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